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Effective Date: January 1, 2004 and October 1, 2004

Related CR Transmittal #: R82CP

Implementation Date: See below

MMA - Changes in Determining Rural Status of Hospitals for Transitional Outpatient Payments for 2004

Note: This article was revised to contain web addresses that conform to the new CMS web site and to show they are now MLN Matters articles. All other information remains the same.

Provider Types Affected

Hospitals

Provider Action Needed

This instruction clarifies the policy and business requirements in Transmittal 30 (CR3015) relating to changes in the hospital Outpatient Prospective Payment System (OPPS) for services furnished during calendar years 2004 and 2005. This instruction revises the method for determining whether a hospital is considered rural for purposes of Transitional Outpatient Payments (TOPs). Changes to Transmittal 30 (CR 3015) are indicated in bold print.

Background

As of January 1, 2004, TOPs are being discontinued for all Community Mental Health Centers (CHMCs) and all hospitals except for the following:

- Rural hospitals that have 100 or fewer beds;
- Sole Community Hospitals (SCHs), as described in the Social Security Act (Section 1886 (d) (5) (D)(iii)), which are located in rural areas; and
- Cancer hospitals and children's hospitals as described in the Social Security Act (Sections 1886(d) (1) (B) (iii) and (v)).

The interim TOPs for these hospitals will be calculated as 85% of the hold-harmless amount (the amount by which the provider's charges multiplied by its cost-to-charge ratio (CCR), **then multiplied by its payment-to-cost ratio**, exceeds the provider's OPPS payments.)

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Be advised that for the CMHCs and hospitals for which TOPs will be discontinued, interim TOPs will be paid for services furnished through December 31, 2003.

Medicare fiscal intermediaries (FIs) are responsible for permanently continuing to hold harmless interim TOPs for cancer hospitals and children's hospitals in accordance with the provisions of the Statute. Also, hold-harmless TOPs will continue through December 31, 2005, for rural hospitals that have 100 or fewer beds, in accordance with the provisions of the Medicare Prescription Drug, Improvement, and Modernization Act (MMA) of 2003.

Hold-harmless TOPs will also apply to SCHs that are located in rural areas, with respect to services furnished during the period that begins with the provider's first cost reporting period beginning on or after January 1, 2004, and ends on December 31, 2005, in accordance with the provisions of the MMA.

Note that if a qualifying SCH has a cost reporting period that begins on a date *other* than January 1, TOPs and interim TOPs will not be paid for services furnished after December 31, 2003, and before the beginning of provider's next cost reporting period.

If a hospital qualifies as both a rural hospital that has 100 or fewer beds and as a SCH located in a rural area, for purposes of receiving TOPs and interim TOPs the hospital will be treated as a rural hospital that has 100 or fewer beds.

For purposes of TOPs, a hospital is considered rural if it is:

- Geographically rural;
- Classified to rural for wage index purposes; or
- Classified to rural for the standardized amount.

For example, a hospital that is geographically rural is always considered rural for TOPs, even if it is reclassified to urban for the wage index and/or standardized amount. A hospital that is geographically urban, but reclassified to rural for the wage index and/or standardized amount is considered rural for purposes of TOPs.

If the FI identifies additional hospitals that are eligible for TOPs payments, the FI shall make appropriate interim payments retroactive to January 1, 2004 for small rural hospitals and retroactive to the provider's first day of the cost reporting period beginning on or after January 1, 2004 for rural SCHs with 101 or more beds.

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Implementation

The implementation dates for this instruction are as follows:

- By June 1, FIs must make needed adjustments to their provider-specific files so they can begin making monthly interim TOPs payments to eligible hospitals and begin making such payments.
- No later than July 1, 2004, FIs are to make retroactive payments to account for any TOPs interim payments that are due to providers retroactively to January 1, 2004 for small rural hospitals or to the first day of the cost reporting period beginning on or after January 1, 2004 for rural sole community hospitals that have more than 100 beds.
- Beginning January 1, 2005, FIs must use the Outpatient Provider Specific File fields to determine the number of beds and whether a hospital is considered to be rural for purposes of TOPS payments.

Additional Information

The official instruction issued to your FI regarding this change may be found by going to <http://www.cms.hhs.gov/Transmittals/downloads/R82OTN.pdf> on the CMS web site.

If you have any questions, please contact your intermediary at their toll-free number, which may be found at <http://www.cms.hhs.gov/MLNProducts/downloads/CallCenterTollNumDirectory.pdf> on the CMS web site.

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